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CENTRAL INTELLIGENCE AGENCY

CONFIDENTIAL

5 April 1949

INTELLIGENCE MEMORANDUM NO. 156

SUBJECT: The Will and Ability of Certain Countries to Support and Develop Their Armed Forces, from Their Own Resources and with US Aid.

REFERENCE: JIGM-106, 29 March 1949

1. The Problem: to estimate the will and ability of Canada, the United Kingdom, France, Belgium, the Netherlands, Luxembourg, Denmark, Norway, Portugal, Spain, Italy, Austria, Greece, Turkey, Iran, and Saudi Arabia to support and develop their armed forces during the next eight years, from their own resources and with US military aid. In particular, to estimate, with respect to each of those countries:

a. Its will to resist Soviet military aggression, if need be (to be expressed in broad categoric terms such as strong, moderate, uncertain, or weak).

b. Its willingness to support national rearmament to the maximum practicable extent from its own resources.

c. Its national income and manpower potential.

d. The portion of this national income and manpower potential which it could afford to devote to its military establishment, having regard to the avoidance of unacceptable economic and political consequences.

e. The critical limiting factors with respect to the maintenance and development of its ground, air, and naval forces.

f. The effect of assumed progressive economic recovery on these limitations.

g. The amount of US military aid which it could effectively use within continuing critical limitations.

2. Estimates with respect to each of the countries named are in a series of Enclosures which follow (in alphabetical order).

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ENCLOSURE "A"

AUSTRIA

Little doubt exists of Austrian aversion to Communism or to the presence of Soviet troops. Austrian will to resist Soviet military aggression is passive, however, and will remain passive so long as Soviet military forces occupy a major section of the country. Austria has no military establishment beyond a police force of about 26,000, which includes roughly 2,000 men of doubtful reliability.

Were a treaty to be obtained, permitting development of a military force, Austrian will to resist the USSR would probably grow in proportion to the size of its armed forces. In this event, it is considered that Austrian readiness to support a maximum practicable rearmament program would be evidenced.

The economy of Austria, however, would severely limit a rearmament effort, and a growing economy would restrict availability of manpower.

As a result of its participation in World War II, Austria has roughly 500,000 men of more than nominal military experience, of whom about 300,000 could be considered to be of first-line troop potential. Total available Austrian manpower of military age and fit for service is believed to be 700,000.

Should a treaty permit, Austria would accept US military supplies for effective use commensurate with economic recovery. Without a treaty, US military supplies could be used only to a limited degree, i.e. by the police and gendarmerie in the western zones.

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ENCLOSURE "B"

BELGIUM

Because Belgians realize that their country could present only a momentary defense against Soviet military aggression, their will to resist at the present time is believed to be conditioned greatly by a fatalistic attitude, and can hardly be estimated as more than "irresolute." About 1951, however, when the strengthening of the nation's capacity for self-defense is expected to become more evident, this fatalistic viewpoint will probably diminish, and by 1957 the Belgian will to resist is likely to become vigorous and determined.

Even now, Belgium shows willingness to support a national rearmament from its own resources, so far as is consistent with the maintenance of the Belgian standard of living and its commitments to the economic recovery of Europe. This attitude is likely to continue undiminished.

Out of the current Belgian budget, \$145,700,000, or about 9 percent, is devoted to military expenditures. This military outlay will probably increase at a gradual rate until 1953, when it will be stabilized at roughly 150 percent of the current figure.

In 1949, the total manpower capable of military duty available to Belgium is approximately 1,554,000. Of these, 3.8 percent are being utilized in the armed forces, which, excluding colonial troops in the Belgian Congo, total 59,276. Belgium also has a force of approximately 150,000 trained reserves. During the prewar period which will be reflected in the groups of military age during 1950-57, Belgium's population was increasing at an annual rate of .43 percent. It is probable, however, that Belgium's economic recovery will absorb most of this margin of available manpower. Registered unemployment, which now stands at 233,000, is expected to decline gradually, beginning in 1950.

This combination of industrial recovery and decreased unemployment, both responding to the Government's internal remedies and the development of export markets, is likely to bar substantial enlargement of the military establishment and thus limit the amount of US military equipment which might be efficiently utilized without affecting the Belgian economy. Such quantitative limitations suggest that usable military aid, other than materiel for reserve components, might be restricted largely to that necessary for modernization.

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ENCLOSURE "C"

CANADA

(a) Canadian will to resist Soviet military aggression, if need be, is strong.

(b) Willingness to support national rearmament to the maximum practicable extent from Canada's own resources is doubtful. A sacrifice in the standard of living would be required, and the policy would in principle be distasteful to the Canadians.

(c) In 1947 the Canadian national income was \$11 billion, and in 1948 it was \$12.8 billion. No estimate of future national income can be made under present circumstances with sufficient accuracy to be useful. It may be assumed that the Canadian national income will continue to rise gradually in coming years.

Manpower potential: ages 15-49 estimated as follows:

1950	. . . . .	3,360,800
1951	. . . . .	3,384,200
1952	. . . . .	3,407,600
1953	. . . . .	3,431,000
1954	. . . . .	3,455,800
1955	. . . . .	3,480,600
1956	. . . . .	3,505,400
1957	. . . . .	3,530,200

(d) At the cost of a reduction in the standard of living, Canada could probably afford to devote approximately 7 percent of its national income to the military establishment. For the past few years, however, the sum actually devoted has been only about 2 percent. It is therefore believed politically impracticable to increase this proportion suddenly to the maximum, but Canadians already feel that their military expenditures are too small, and the amount will probably be raised after the general elections expected to be held within the next 7 months.

Use of the relatively great manpower potential of Canada is limited by prosperous economic conditions

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It will not be politically practicable to count on availability of more than about 55,000 men for the military establishment, as long as no conditions of grave emergency arise.

(e) The critical limiting factors with respect to the maintenance and development of the armed services lie (a) in the manpower situation as described above and (b) in the indisposition of Canadians to accept

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a reduced standard of living unless faced by grave emergency.

(f) Not applicable.

(g) Canada could effectively use US military aid in connection with maintaining a force of about 55,000 men.

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ENCLOSURE "D"

DENMARK

(a) Denmark's will to resist Soviet military aggression, if need be, is uncertain. It would be moderate to strong if actual arms and equipment were supplied and firm plans for co-ordinated defense gave good hope of success.

(b) Willingness to support ^{the} military establishment to the maximum practicable extent from ^{its} own resources is now slight, but it would be greatly increased if Atlantic Pact prospects and commitments gave good hope for successful defense.

(c) Gross national product in millions of dollars at 1947 prices as estimated for ECA is as follows (national income figures not available):

1949	.	.	.	.	.	.	3810
1950	.	.	.	.	.	.	3900
1951	.	.	.	.	.	.	4000
1952	.	.	.	.	.	.	4130
1953	.	.	.	.	.	.	4270

Estimated total number of males of military age:
1,000,000 (will remain stationary)

(d) Denmark has only a moderate chance of achieving the ERP objective of recovery by 1952. Any increased diversion of resources to the military establishment would probably postpone attainment of the ERP objective beyond 1952. Denmark presently spends approximately 2% of gross national product on the armed forces, which include 28,800 men.

Accepting the likelihood of imperiling the ERP objective, still only a very slow and gradual increase in expenditure would be politically feasible, to about 2.5 or 3% of the gross national product.

About 45,000 men could be used in the military establishment, and this figure would be politically practicable in the event of firm mutual defense arrangements with stronger western powers.

(e) Critical limiting factors with respect to the maintenance and development of ground, naval, and air forces include the facts that Denmark has no natural resources for heavy industry, no fuel resources, and no

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capability of producing any military equipment save small arms. Hence all equipment must be acquired from abroad. A shipbuilding industry exists but it is geared for merchant-ship production and is incapable of building combat ships to any appreciable degree.

(f) Progressive economic recovery would produce slightly better earnings of foreign exchange and improve the fuel and raw materials situation. It would not, however, materially increase resources available for the military establishment.

(g) Denmark could effectively utilize US military aid for proper equipping, training and maintenance with necessary reserve stocks for a force of about 45,000 men. Equipment for a Home Guard of approximately 120,000 men could be used.

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ENCLOSURE "E"

FRANCE

The French will to resist Soviet military aggression is at present tempered by the weakness of the French military establishment, and to a lesser degree by a lack of national self-confidence continuously exploited by the French Communist Party. Until roughly 1954, continued economic difficulties and a degree of political instability are expected to limit the French "will to resist" to a point best described as "irresolute." If substantial success is attained in current economic and political programs by 1954, this "will" may improve and become "determined."

In order to develop national rearmament to the maximum practicable extent from its own resources, the French would have to be possessed of firmer determination and greater readiness to make sacrifices, real or imagined, than is now the case. The willingness of France to extend itself in support of substantial rearmament cannot be termed better than "fair." As in French willingness to resist aggression, an improvement may be expected in this matter as a corollary to better domestic conditions; but not until after 1953.

The French national income of 23.3 billion dollars is expected to remain relatively constant through the year 1953. From the current budget, the French appropriated \$1,167 million for military purposes; approximately 18 percent of total expenditures. A slight increase in available domestic funds should not materially alter either the percentage or the military budget prior to 1954. The French Government would be placed in a difficult, if not impossible position by the political opposition in any effort to increase military funds. French domestic production cannot support a larger military establishment, and France probably will not have the foreign exchange necessary to obtain appreciable materiel now in short supply until at least 1954. Beyond that date an estimate of rate of increase would become too unreliable a form of speculation to warrant inclusion.

Total French manpower eligible for military use stands at approximately eight million men. Of this figure, some 8.4 percent are now in the military establishment. An increase in French production under the current programs, when considered in the light of the current industrial worker shortage, appears to preclude an appreciable increase in the number of men France can place under arms through 1953. After 1953/54 increased production efficiency may lessen the economic requirements for manpower, without jeopardizing production targets.

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The French military forces, of 678,000 men, are apparently at present at a maximum consistent with domestic economy and political stability. US military aid, therefore, would be largely a matter of modernizing and mechanizing such a force. Some stockpiling of full equipment could be accepted for the trained reserve of roughly one and one-half million men. This materiel, however, would be limited by the ability of the already strained military budget to provide maintenance and might be dissipated through cannibalization.

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GREECE

(a) The will of Greece to resist Soviet military aggression if need be would be very determined.

(b) Greece would be most willing to support national rearmament to the maximum practicable extent from its own resources.

(c) In the fiscal year 1948-49 some 58 percent of the Greek national budget of approximately \$345 million was devoted to military expenditures and contingent items, covering military pay and allowances as well as very limited amounts of supplies and equipment and some relief for guerrilla-stricken refugees. Direct US military aid, in 1948-49 roughly equivalent to the amount contributed by Greece itself, is not counted in the Greek budget. Since ECA counterpart funds take care of more than one fourth of the Greek national budget, it appears that under present arrangements for US aid of all kinds Greece is able to pay for little more than one fourth of current military requirements.

(d) Aside from the amount of aid available from the US and the degree of progress in the economic recovery of Greece, the critical limitations on the maintenance, expansion, and development of existing Greek national ground, air, and naval forces are as follows: (1) The nature and extent of aid from Communist countries to the Communist Greek guerrilla movement; and (2) The inability of Greece to manufacture or to pay for any considerable quantity of modern materiel.

(e) The assumed progressive economic recovery of Greece would have little real effect on these limitations. The chief effect of such recovery would be to permit the reduction of US non-military aid, but it is unlikely that Greece could improve greatly on its present limited contribution to national defense by 1952, although the situation might be a little better by 1957.

(f) With continuing US aid of all kinds, Greece could maintain its existing military forces (roughly 250,000 men, including Gendarmerie), or even expand them, up to a practical maximum of perhaps 500,000 men. Inasmuch as US non-military aid is in effect a subsidy enabling the Greek Government to devote a very large part of its own budget to national defense, the discontinuance of such aid would make it impracticable for Greece to maintain more than token forces at present, with only a little improvement possible even under optimum conditions of recovery up to 1957.

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APPENDIX A

Greek National Income, Budget, and Military Manpower

Estimates of National Income

<u>1938</u>	<u>1947</u>	
\$540,000,000	\$880,000,000	(actually equivalent to only 62 percent of 1938 income, or about \$335,000,000)

Greek National Budget

	<u>Total</u>	<u>For Defense</u>
1938-39 (fiscal year)	\$135,000,000	\$41,850,000
1948-49 (fiscal year)	345,000,000 (including ECA counterpart funds)	200,000,000 (not including direct US military aid)
1952	275,000,000*	75,000,000*
1957	300,000,000*	85,000,000*

*Maximum figures, possible only if the guerrilla menace is non-existent, and if optimum results are obtained from the 1949-1952 aid program. These figures are highly conjectural.

Population and Manpower Estimates

Total Population, 1 January 1949: 7,850,000 (estimate based on ECA estimate for 1 December 1948)

Males between ages of 15 and 49: 1 January 1949---1,844,000
1 January 1958---2,178,000

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ENCLOSURE "G"

IRAN

(a) Iran's will to resist Soviet military aggression is moderate. The army high command and the government, with the general support of the people, have acted firmly against Soviet threats, pressures, and border incidents, but Iran's will to resist remains greatly tempered by the knowledge of Iran's inability to defend itself unless given immediate and very extensive military assistance and by the lack of assurance that such assistance will be given. The Shah and members of the army high command have nevertheless expressed their determination to carry on in the event of an invasion by waging guerrilla warfare until assistance can be rendered by the US and other friendly powers.

(b) Iran has demonstrated its willingness to support national rearmament to the maximum practicable extent from its own resources.. It already devotes a large proportion of its national income to its military establishment, and the Shah and Army leaders have repeatedly indicated a desire to increase the army to 150,000 or more in order to improve Iran's capacity to resist. Iran has obtained \$16 million in US arms on a loan basis and it is paying for the expenses of the US military missions.

(c) In recent years Iran has devoted between 26 and 30 per cent of its budget to the maintenance of its armed forces. In the Iranian year 21 March 1947 to 20 March 1948, of a total estimated expenditure of \$242.5 million, \$63.9 million or 26 per cent were devoted to the armed forces (\$46.2 million, or 19 per cent to the army and \$17.7 million or 7 per cent to the gendarmerie). In the year 1948-49, of a total estimated expenditure of \$280 million, \$70 millions were devoted to the armed forces (\$56 million or 23 per cent for the army and \$14 million or 6 per cent for the gendarmerie). The proposed budget for the year 1949-50 earmarks \$66 million for the army (the 1949-50 figure for the gendarmerie is not available). This budget, which contemplates a total estimated expenditure of \$338.5 million against a total estimated revenue of only \$240 million does not indicate how the deficit will be covered and has not been approved by the Majlis.

(d) The major limitation on the maintenance, expansion, and development of existing ground, air, and naval forces develops out of the heavy requirements in manpower and money of the \$700 million seven-year economic development program being set up in Iran. Although the details of the program have not been definitely established, it certainly will require the use of most of Iran's available manpower potential; and the contemplated diversion to this program of Iran's oil revenues, which amounted to \$28 million or about 12 per cent of the estimated total national revenue in 1947, will force a corresponding reduction of all other government expenditures unless new and uncertain sources of revenue are tapped. Moreover, even without the seven-year program, the lack of army facilities, civilian manpower requirements, limited transport, and

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illiteracy would mitigate against rapid expansion of the army. It is doubtful whether more than 400,000 men could at any one time be mobilized, trained, equipped, and handled with any worthwhile degree of efficiency; and even this number would severely strain the economy of the country.

(e) Even if the seven-year program is executed as scheduled, which is improbable, the benefits will accrue only on a gradual and at present indeterminate rate. Moreover, since the government intends reinvesting in the program whatever financial profits may accrue from the projects it develops during the program period, no additional funds will be available from this source for other government expenditures. While Iran is showing progressive economic recovery, this recovery is slow and it is unlikely that it will produce sufficient additional revenues to meet the requirements of both the present military establishment and other government agencies.

(f) Assuming US provision of arms and equipment, Iran could support the expansion of the army from its present size of about 113,000 to the 150,000 proposed by the Shah, without serious adverse political and economic consequences. Such a program would have psychological advantages.* However, Iran could probably not effectively enlarge its army at a rate of more than 5,000 men a year, and there is much to recommend a plan for a force of about the present size, with better paid officers and supported by tribal levies, which would be trained for demolitions, delaying operations, and guerrilla warfare rather than for necessarily ineffective full-scale operations.

It is roughly estimated that Iran, in addition to the \$10 million shipment already contracted for could absorb \$12.5 million worth of US supplies and equipment during 1949-50 and \$10 million dollars a year thereafter, a total of \$85,000,000 for the eight-year period. (About a year will be required to absorb the present \$10 million shipment.)

* If the army were increased to 150,000 at the rate of 3,700 men per year the estimated additional cost to Iran would be \$1,850,000 per year (at approximately \$500 per man-year), or a total of \$14,800,000 for the period 1949-1957. Such expansion would make it necessary for Iran to import additional equipment and supplies.

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APPENDIX A

Although Iran's present total manpower potential between the ages of 15 and 49, is estimated at 3,650,000, only half are considered fit for duty. These figures, which are based on an estimated total population of about 15 million, must, however, be accepted with much reserve since no reliable population data exist; estimates by different sources vary from about 10 million to well over 16 million.

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ENCLOSURE "H"

ITALY

Faced with continuing threats to its political stability, experiencing slow economic improvement, and possessed of a military establishment limited by treaty to 300,000, Italy is in no condition to offer serious resistance to Soviet military aggression. The Italian people, aware of this situation and still suffering from Italy's last military adventure, are passive toward further conflict and desire to avoid involvement in war. Were internal conditions to improve sufficiently to restore self-confidence, Italian will to resist might stiffen some time after 1952. It is not believed, however, that even under optimum circumstances, Italy would be prepared by 1957 to offer more than an irresolute resistance to actual military aggression by the Soviet Union.

In this state of mind, Italy can be expected, for the next eight years, to present no better than a fair readiness to exert itself to the maximum practicable extent in a rearmament program. The government and a large percentage of the people would continue to make some sacrifices for an internal security force to maintain order. No such readiness can be expected, however, in building up an army viewed generally as helpless against serious attack and, at least in part, as provocative.

Despite this reluctance, the Italian Government has exceeded several western European powers by allotting 20% of its total budget of slightly over two billion dollars for military purposes, but, this percentage actually totals only \$453 million, which cannot support a larger military establishment than the present one. A small, steady increase in this amount, derived from an enlarged budget, may be anticipated through 1953. Such a relatively insignificant increase may also continue through 1957, but the total would not alter the Italian disability to make any significant enlargement or improvement in its military establishment.

The unsatisfactory Italian economic situation, which limits military expenditures, has, on the other hand, combined with over-population to produce major unemployment. Roughly two million Italians remain unemployed, despite annual emigration of slightly under a hundred thousand. No estimate of the percentage of unemployed eligible for military service has been obtained, but it appears certain that no shortage of manpower exists. Italy has approximately nine million men available for military service, with only 3 1/3 percent now in the military establishment, and with over half of the remainder having received some training.

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Political considerations play a substantial part in lowering the Italian capacity to expand its military strength. Although the Communist Party no longer has representation in the Government, its parliamentary and popular strength in conjunction with that of other leftists is sufficient to require the Government to obtain coalition support for desired legislation. In the face of strong demands for various reform legislation from all moderate and leftist quarters, and leftist accusations of warmongering, the Government cannot be expected to obtain sufficient support for any appreciable increase in military appropriations. Unless economic conditions show greater improvement in the next eight years than is anticipated, the Government will not be in a strong enough political position to increase its military budget appreciably.

Because of the existing limitations, economic, political, and by treaty, enlargement of the Italian military establishment is not possible from Italian resources within the period under consideration. Military aid from the US, therefore, would be of value only to re-equip the present Italian armed forces with modern materiel, although some additional supplies could be absorbed by the security police forces.

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ENCLOSURE "I"

LUXEMBOURG

The position occupied by Luxembourg in the economic union of Benelux cannot be duplicated in a military union. Luxembourg military potential, beyond an industrial contribution, is negligible. No examination of Luxembourg's present or future military capabilities has, therefore, been attempted.

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ENCLOSURE "J"

THE NETHERLANDS

As in the case of the French and Belgians, the Dutch will to resist Soviet military aggression is conditioned by knowledge of an inability to prevent or even seriously delay a Soviet advance. No longer able to trust in neutrality and as yet unsupported by allied forces, the Dutch, with the major portion of their own forces engaged in the East Indies, are at present no more than "irresolute". The Dutch, however, with improvement in the Indonesian situation, the acquisition of additional strength and dependable external support, could be expected to show a "determined" attitude in the face of a Soviet advance.

The present Dutch lack of full determination to resist actual attack is not reflected in the will to strengthen their military establishment. Engaged in military action in Indonesia, the Dutch have had an added spur to military expansion, and have shown great readiness to support the armed forces. Nineteen percent of a national budget of roughly one and one-half billion dollars has been devoted to maintaining armed forces more than twice as large as the Belgian, and to do it on a national income and budget smaller than Belgium's. The drain from the hostilities in the Indies prevents utilization of this amount for re-equipment, however, and it is estimated that a decline to roughly 75 percent in the size of these expenditures is to be expected in the next two years. Permanent loss of the Indies or a continuation of the costs of military action there would seriously lessen the Dutch ability to rebuild the forces in the Netherlands.

Dutch manpower available for military service is estimated at approximately two million. At the present time, about eight percent of this number is on active duty, leaving a trained reserve of only some 30,000. An increase in industrial production consistent with economic recovery plans will absorb part of the rapidly increasing population; emigration, which probably will continue, will also lessen the number of additional men available for military service. In spite of these limiting factors, additional military manpower adequate for effective Netherlands participation in western European defense can be expected.

Use of military aid extended to the Netherlands will not be seriously limited by the supply of manpower. Because of the relatively large size of their present armed forces, however, the Dutch probably will require aid for qualitative rather than quantitative improvement of their military establishment.

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ENCLOSURE "K"

NORWAY

(a) Norwegian will to resist Soviet military aggression, if need be, is strong.

(b) If Norway should be asked, as its share of a coordinated defense plan for Western Europe, to increase its armaments to the maximum extent practicable from its own resources it would probably do so.

(c) Net national product (national income figure not available)
1949-1952 average is \$1.7 billion
(according to Norwegian estimates submitted to ECA)

Estimated total males (age 15-49)	837,000
Estimated total fit for military service	654,600

(d) Norway has only a moderate chance of achieving the ERP objective of recovery by 1952. Any increased diversion of resources to the military establishment would probably postpone attainment of the ERP objective beyond 1952. Norway at present spends 3.7 percent of the national product on the armed forces, which now include 23,000 men.

Accepting the likelihood of imperiling the ERP objective, a recurring annual expenditure of \$100 million (5.9 percent of estimated net national product) would be politically possible.

A number of men not exceeding 40,000 could be devoted to the military establishment.

(e) The critical limiting factors with respect to the maintenance and development of ground, naval, and air forces are:

- (1) Lack of industries to manufacture planes, artillery, tanks, military vehicles, electronics equipment, and all heavy equipment, with consequent necessity for procuring these things abroad and paying in hard currency, which is not available for the purpose.
- (2) Lack of manpower beyond about 40,000 to divert from normal pursuits without disrupting the economy.
- (3) The fact that Norwegian shipyards are not experienced in building naval craft, and are being fully utilized to

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rebuild and maintain the merchant marine, which is vital to the Norwegian economy.

(f) Progressive economic recovery would probably make slightly greater amounts of dollar exchange available to Norway. It would not, under present plans, lead to the creation of facilities for manufacturing the equipment mentioned in (e) above.

(g) Norway could effectively use only enough equipment to supply a force of from 30,000 to 40,000 men, with provisions for reserve stocks. Norwegian manpower would be effective in either army, navy, or air force, in any proportions judged proper by planners. The Home Guard could utilize appropriate modern equipment including reserve stocks for a force of approximately 100,000 men.

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ENCLOSURE "L"

PORTUGAL

The will of Portugal to resist military aggression by the USSR may be called "determined". Portugal, because of the religious belief and conservative nature of the people and the government, would resist Communism as long as the means to do so were available.

As in Spain, the high percentage of a limited budget (23% of \$222 million) devoted to military affairs indicates readiness, at least on the part of the government, to support national rearmament to the maximum practicable extent. The general public has little opportunity to demonstrate its desires in the matter, but presumably subscribes to the effort.

Portuguese manpower reserves eligible for military service total approximately 1,700,000 men, of whom about 22% now are in service in either the military forces or the proportionally large quasi-military Republican Guard. An effective trained reserve of roughly 120,000 men exists.

Economic conditions severely limit Portugal's military capabilities. There is little likelihood of any appreciable improvement in the precarious condition of the economy. Allotments in the European Recovery Program for Portugal are far below (one tenth) requirements as estimated by the Portuguese. It is considered that even were progress to be made along economic lines, strain would occur in any effort to increase the size of the military establishment. Not only purely indigenous conditions contribute to the general situation; an export program must be able to supply sufficient foreign exchange to permit Portugal to acquire the materiel needed to equip and to maintain its present military forces.

US military aid on any significant scale could not be put to effective use under predictable conditions, even as replacement and modernization supplies, in the absence of any ability to furnish adequate maintenance.

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SAUDI ARABIA

(a) In the abstract, Saudi Arabia's will to resist aggression (from any quarter) is very strong. However, in the event of Soviet aggression, Saudi Arabia's attitude would depend largely on the degree of support it received from the US and/or UK and on the capability of Saudi Arabia's defenses to offer some degree of resistance. Since at present the country is to all practical purposes completely defenseless against modern methods of attack, its ability to resist Soviet aggression would be very weak if, for instance, the USSR launched an airborne attack on the Dhahran area.

(b) Ibn Saud would be eager to build up his army to the maximum practical extent from his own resources inasmuch as he fears not only the threat of Soviet aggression but also the possibility of aggression on the part of Transjordan and Iraq. The present weakness of the army does not reflect any unwillingness to spend his increasing income from oil royalties on rearmament but results from his inability to obtain arms because of the UN embargo.

(c) In 1948, 33 per cent of Saudi Arabia's national budget was devoted to national defense. (Out of a total of 215 million riyals, 71 million or \$18 million, were spent on defense. These figures are taken from the first budget ever published by the Saudi Arabian Government and should be considered only as rough estimates.) Saudi Arabia would be able to spend an increasing amount on its military establishment over the next few years inasmuch as oil royalties (which already constitute about 60 per cent of the country's total income) are expected to increase by almost 100 per cent. (An estimate of the national income for the next eight years is included in Appendix A, and an estimate of the amounts that could safely and effectively be devoted to the military establishment in Appendix B.)

(d) There are no limitations on the maintenance, at their present low level, of the extremely undeveloped ground, air, and naval forces of Saudi Arabia. If any of these forces were expanded or developed, the following critical limitations would have to be considered: (1) complete absence in Saudi Arabia of any industrial potential, with the exception of the oil installations at Dhahran; (2) low standard of education of the mass of the people; and (3) poor port and transportation facilities. All materiel for expansion and subsequent maintenance would have to be supplied from outside the country (See Appendix C on "Manpower Potential.")

(e) Not even the most optimistic estimates of economic expansion and social development for Saudi Arabia could appreciably affect the above limitations in the 8-year period proposed in this study.

(f) With the provision of arms and equipment by the US, Saudi Arabia could maintain a semi-mechanized force (along the lines of the Transjordan

Arab Legion) having as its primary mission the defense of the Dhahran area against airborne attack. Judging from the Arab Legion, it is roughly estimated that such a force would cost annually about \$1,000 per man to maintain. (The Arab Legion is approximately 10,000 strong and until recently has been maintained by an annual subsidy of £ 2 million.) Ibn Saud could afford to support such a force or one considerably larger. In order to train this force, a US military mission would be necessary and also the training of Saudi military and air officers in US schools. Ibn Saud could afford to pay for the training of these officers. With the provision of US equipment, Saudi Arabia could also establish additional airfields similar to Dhahran.

ESTIMATE OF GOVERNMENT INCOME

	<u>Saudi Riyals</u>	<u>Totals</u> <u>US Dollars</u>	<u>Oil Royalties</u> <u>US Dollars</u>	<u>All Other</u> <u>US Dollars</u>
1948	215,000,000	54,000,000*	33,000,000	21,000,000
1949	264,000,000	66,000,000	45,000,000	"
1950	292,000,000	73,000,000	52,000,000	"
1951	320,000,000	80,000,000	59,000,000	"
1952	336,000,000	84,000,000	63,000,000	"
1953	"	"	"	"
1954	"	"	"	"
1955	"	"	"	"
1956	"	"	"	"
1957	"	"	"	"

*Conversion rate: 4 Saudi Riyals = 1 US Dollar.

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(c) There is no evidence to indicate that Saudi Arabia's income from "all other" sources (\$21,000,000) will alter appreciably during the next eight years.

(d) No estimate has been included of royalties which will accrue to Saudi Arabia if oil is discovered in the Saudi Arabia-Kuwait Neutral Zone. Saudi Arabia has granted a concession to the Pacific Western Oil Company for the exploitation of its half share in the territory.

APPENDIX B

ESTIMATE OF INCOME WHICH COULD BE SAFELY AND EFFECTIVELY DEVOTED TO A
MILITARY ESTABLISHMENT

	<u>Income</u>		
	<u>Total</u>	<u>Defense (potentially)</u>	<u>Other</u>
1948	\$54,000,000	\$24,000,000*	\$30,000,000
1949	66,000,000	36,000,000	"
1950	73,000,000	43,000,000	"
1951	80,000,000	50,000,000	"
1952	84,000,000	54,000,000	"
1953	"	"	"
1954	"	"	"
1955	"	"	"
1956	"	"	"
1957	"	"	"

*In 1948 Saudi Arabia actually spent, according to its own budget which probably sets the figure low, approximately SR 70,000,000 (\$18,000,000) on defense. Throughout the year it repeatedly requested further military aid from the US and was prepared to pay for it.

(a) The \$30,000,000 figure in the right-hand column is a liberal estimate of how much the Saudi Arabian Government would need annually to meet all its requirements other than for national defense. The estimate is based on the following reasoning:

1. The income of Saudi Arabia in 1948 from all sources excluding oil royalties was \$21,000,000.

2. It is assumed that this figure has been fairly constant for many years; it may even have been considerably lower in the years prior to World War II. (For instance, it includes over \$1,000,000 from aviation fees, which were not forthcoming before the establishment of Dhahran Airbase in 1944.)

3. Consequently, it is believed that \$30,000,000 would be more than sufficient to defray the normal expenditure of the Saudi Arabian Government.

4. This figure would not cover all the large-scale development projects that are now being planned or carried out in Saudi Arabia. However, it is assumed that most of these projects (railroads, roads, harbors, airfields, etc.) could be included in the defense budget or financed independently.

(b) The figures in the middle column, therefore, are obtained by subtracting \$30,000,000 from the total estimated income for each year; they represent the amounts that could be considered available for defense purposes.

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APPENDIX C

MANPOWER POTENTIAL

	<u>Total population</u>	<u>Men of military age</u>
1948	6,000,000	1,360,000

(Note: Saudi Arabia takes no census, and these figures are at best informed guesses. No estimates can be made for succeeding years.)

Manpower is not a limiting factor in any conceivable defense plan for Saudi Arabia. The Saudi Arabian Army is at present estimated to consist of 8,000 regulars and 62,000 irregulars. Ibn Saud has a pet plan to establish a fully mechanized force of 80,000. On the standard of the present Saudi Arabian Army, Ibn Saud could probably afford to build up an army of over 100,000 men, but without outside assistance in arming and training, it would be no more effective than the present army.

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SPAIN

The Spanish will to resist Soviet military aggression is currently "determined" and will remain determined so long as the country does not suffer an economic collapse and consequent political disorder. Spaniards, because of their religious beliefs and long conservative tradition are generally opposed to Communism. Furthermore, Spaniards can be expected to resist, to the limit of their ability, military aggression from any source.

While the willingness of the government and people of Spain to develop their national armament to the maximum is traditionally great, they are now so handicapped by a precarious economy, absence of the basic industrial capacity essential to the production of munitions and equipment, and lack of financial resources, that any effort on Spain's part to increase its armament or rearm its forces would be abortive.

From the current budget of \$998 million, Spain appropriated approximately 31% to keep forces approaching half a million in service and an additional 14% (total \$444,650,000) for related purposes. Spain's armed services are estimated to include about 20% of the total Spanish manpower available for military use. Because of the character of the Spanish regime, a large percentage of the existing military or paramilitary strength is devoted to internal security duties.

Major limitations on further development of the Spanish military establishment stem from economic factors, as stated above. The instability of the economic structure, unsupported by European recovery plans and unable to procure vital outside assistance, is so great that estimates of the future are speculative in the extreme. It is possible that economic deterioration in the next year or two will cause not only economic collapse but political upheavals as well. Were this to occur, the entire Spanish military situation would be radically altered.

At present, additional manpower could be siphoned from the stagnant industry to bolster the armed services. Conversely, however, were industry to remain at its present near standstill, Spain would be unable to support even the present forces. A restoration and improvement of industrial conditions would probably preclude an increase in the manpower available to the military.

In the absence of improved industrial and financial conditions it is improbable that Spain could afford the maintenance on any significant amount of US military aid or utilize it in a fashion approaching efficiency. Here, even more than elsewhere in Western Europe, economic conditions necessary to correct the disproportionate size of the peacetime military budget must be realized before additional equipment can be absorbed. Only replacement matériel for purposes of modernization could now be effectively used.

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ENCLOSURE "O"

TURKEY

(a) The Turkish Government and people are firmly determined to resist aggression by the USSR. This basic resolve has been reinforced by the provision of US military, economic, and financial aid and US assistance in the development and implementation of technical training programs.

(b) The Turkish Government and people are already bearing a heavy financial burden for national defense purposes. There is every reason to believe that this burden will continue to be acceptable to both government and people so long as the Soviet menace continues, particularly under continued US aid, with its concomitant uplifting effect upon both military and civilian morale.

(c) Turkey devotes slightly more than 40 percent of its national budget to the military establishment (including gendarmerie, customs guards, and security service). In 1948, out of a total national budget of 1,339,237,000 liras, the sum of 561,100,294 liras* (\$200,400,000)--or about 42 percent--was devoted to the defense establishment. The budget for 1949 calls for a total estimated expenditure of 1,371,740,000 liras, out of which it is estimated that 553,543,378* liras (\$197,600,000)--or about 41 percent--will be devoted to national defense. In addition to these budgetary allocations, substantial supplementary defense appropriations may be made during the course of the year 1949. In 1948 these additional appropriations totalled about 100 million liras (\$28 million).

(d) The principal limitations on the maintenance, expansion, and development of Turkey's armed forces are: (1) the shortages of technically trained personnel; (2) the difficulties faced by the government in bearing the heavy financial burden imposed by the military establishment; (3) the civilian economy's manpower requirements; (4) the inability of Turkish industry to produce equipment requiring advanced skills or complicated technology; and (5) the civilian economy's call on Turkey's limited foreign exchange. The shortage of technical personnel affects the rate at which Turkey's forces can be developed. The financial and foreign exchange problems affecting Turkey's armed forces, as well as the country's deficiencies in military industrial potential, are subject to alleviation through US aid.

*These figures are probably very nearly exact, but are partially estimated.

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The manpower problem serves to limit the size of Turkey's forces regardless of what foreign assistance may be available.

To some extent these limitations are being currently alleviated, as the US military aid programs for the army, navy, and air forces, and technical training and highway construction programs are applied.

(e) Progressive development of Turkey's economy may be expected to take place in the absence of war, provided that military requirements are not allowed to interfere too drastically with the economic rehabilitation and development programs now being set up and to a certain extent implemented, largely with US financial and technical aid.

This expected growth of the Turkish economy, however, will not materially change Turkey's military potential during the next eight years, although some of the present limitations on Turkey's capabilities may be somewhat eased. Increased production, by raising the national income, will lighten the burden of maintaining large forces under arms, while the concurrent increase in productivity will make the manpower problem less critical. Turkey's foreign exchange position may well improve, allowing Turkey to pay in part for war materials, while increasing industrialization will permit Turkey to supply more of its light arms and ammunition requirements itself. The level of technical training will rise.

(f) Turkey is already on close to a wartime footing and cannot spare either the manpower or the finances needed to support an enlargement of its present armed forces. Within this limitation, however, Turkey undoubtedly will be able to utilize US aid effectively to develop stronger military establishment. The Turkish Army is now beginning to show the results of the US aid program; although serious shortcomings still exist, the US-supervised reorganization, training, and re-equipping of the army should provide Turkey within a few years with a compact, well-armed, efficient, and mobile army, capable of considerable rapid expansion through mobilization of reserves who have had advanced training under US supervision. The Turkish Air Force, despite deliveries during the past two years of US and UK aircraft, is still not regarded as capable of offering more than token resistance to a major aggression, and would benefit considerably by additional US aid. The most serious deficiencies are in technical skills, although facilities are also limited; at the present time, for example, there is not a single airfield in Turkey capable of use by modern US medium bombers. The construction of Turkish airfields and air facilities would open up wide possibilities for their strategic and technical use in time of war. The Turkish Navy is a small force, which has recently been increased in tonnage by the gift of US destroyers, submarines, and

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other vessels, and in quality by US training. It may not yet be a match for the newly expanded Soviet Black Sea fleet, but the continuation of current US programs should in time improve the capabilities of the Turkish Navy for such operations as protection of the Turkish Straits and harassment of hostile naval forces and shore installations.

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APPENDIX A

(1) National income and manpower.National Budget

	<u>Turkish Liras</u>	<u>Dollars</u>	<u>Manpower</u>
1949	1,471,740,000	\$525,600,000	5,148,000
1950	1,545,000,000	551,700,000	5,253,000
1951	1,622,000,000	579,000,000	5,359,000
1952	1,703,000,000	608,000,000	5,464,000
1953	1,788,000,000	638,000,000	5,571,000
1954	See		5,640,000
1955		note	5,710,000
1956		below	5,780,000
1957			5,850,000

Turkish statistics on the total national income are not available for the most recent years and are, in any event, unreliable. The estimates given above are of the national budget, based upon statistics of budgets up to and including 1949 which are available. The estimates for 1950-53 should be accepted with great reserve; for the following years the factors involved are so unpredictable as to make it impracticable to attempt any estimates.

The total manpower figures represent the best estimate now available in Washington. The figures show the total number of Turkish males from 15 to 49 years of age, inclusive, for each year from 1949 to 1957. It is probable that less than half of these males would be capable of rigorous warfare, and that fewer still would be men trained under current or continued US-sponsored technical training programs.

(2) Estimated portion of national budget and manpower which could safely be devoted to the military establishment.

	<u>Estimated Budget</u> (dollars)	<u>Estimated Costs of</u> <u>National Defense</u>	<u>Percentage</u> <u>of Budget</u>	<u>Estimated manpower</u> <u>in the Armed</u> <u>Forces</u>
1949	\$525,600,000	225,600,000	43%	400,000
1950	551,700,000	206,900,000	37.5%	380,000
1951	579,000,000	202,700,000	35%	360,000
1952	608,000,000	198,000,000	32.5%	350,000
1953	638,000,000	191,000,000	30%	350,000
1954-57	--	--	--	--

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ENCLOSURE "P"

THE UNITED KINGDOM

(a) The British will to resist Soviet aggression is very strong.

(b) The UK is willing to support national rearmament to the maximum practicable extent from its own resources.

(c) The National Income of the UK for the period of the next eight years, it is estimated, will move from about \$40 billion per year (1949) to about \$46.7 billion (1957), assuming constant end-1948 price levels.

Manpower potential for the next eight years, it is estimated, will be about as follows: Fit manpower aged 15-50: $9\frac{1}{2}$ million
Fit manpower aged 20-34: $4\frac{1}{4}$ million

(The maximum mobilization potential of the British armed forces is estimated to be 5,200,000 males, roughly the peak strength of World War II).

(d) The UK could devote about 7.7% of its national income to the military establishment. (This is approximately the present proportion; no substantial increase is considered feasible.)

The UK could devote about 750,000 men to the armed forces during the next eight years. (This is the figure which is planned to be reached by the end of the present British fiscal year; no substantial increase is considered feasible.)

(e) Critical limiting factors are as follows: the entire UK economy is carefully planned and operating virtually without margins of flexibility. There is no unemployment, no surplus manpower, no surplus of materials; there are scarcities in such commodities as steel, and foreign exchange. Hence, though the UK has the industrial capacity and skill necessary to produce modern armaments on a scale more than sufficient for its own needs, these resources are entirely committed to economic recovery except for the very modest share which is at present allotted to the production of new arms. Any further diversion of them to the necessities of rearmament would certainly postpone the hope of achieving ERP objectives and would be politically impracticable.

(f) As economic recovery progresses, the expected annual increase in productivity and national income may make possible some slight increase in the proportion of resources diverted to the military establishment. The change would be very slight, for all increases have been allowed for in plans for economic recovery.

(g) The UK could not utilize US military aid, which would have the effect of creating armed forces of more than 750,000 men.

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The subsidization of certain British war industries, notably aircraft and electronics, could have the effect of strengthening the Western Union forces as a whole. US purchases of British jet aircraft and radar apparatus for delivery to the Western European countries (which have a certain amount of that equipment) would: (1) cause a strengthening of those British war industries without damaging British recovery, since the effect would be the same as any other export business; and (2) improve the defense position of the recipient countries of Western Europe.

A further consideration involves the British colonial forces, which have heretofore not been considered in this enclosure. Now reduced to 104,000 from a wartime peak of about 550,000, the colonial ground troops could probably be expanded by three or four times if equipped and perhaps subsidized by the US. (When properly trained and well led during the last war, the colonials were able field forces.)

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